

**CONWAY SPRINGS
UNIFIED SCHOOL DISTRICT NO. 356
CONWAY SPRINGS, KANSAS**

**FINANCIAL STATEMENTS
JUNE 30, 2010**

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
TABLE OF CONTENTS
JUNE 30, 2010

Financial Statements

Independent Auditor's Report	1 - 2
Summary of Cash Receipts, Cash Expenditures, and Unencumbered Cash	3 - 4
Summary of Expenditures - Actual and Budget	5 - 6
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund	7
Supplemental General	8
Adult Supplemental Education	9
At-risk	10
Capital Outlay	11
Driver Training	12
Food Service	13
Special Education	14
Vocational Education	15
KPERS	16
Recreation Commission	17
Bond and Interest	18
Statement of Cash Receipts and Expenditures - Actual	
REAP Federal Grant - SRSA	19
Grants	20
Drug Free Grants	21
Title I	22
Title II	23
Memorial/Gift	24
Contingency Reserve	25
Textbook Rental and Student Mat.	26
Band Special Fund	27
Carl Perkins	28
Statement of Cash Receipts and Expenditures - Actual	
Student Organization Funds	29
Statement of Cash Receipts, Expenditures and Unencumbered Cash - District Activity Funds	30 - 31
Notes to Financial Statements	32 - 43

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
TABLE OF CONTENTS
JUNE 30, 2010

Single Audit Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44 - 46
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	47 - 49
Schedule of Expenditures of Federal Awards	50 - 51
Schedule of Findings and Questioned Costs	52 - 56
Schedule of Prior Audit Findings	57



CHAD A. ANDRA, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Education
Conway Springs Unified School District No. 356
Conway Springs, Kansas

We have audited the accompanying financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of and for the year ended **June 30, 2010**. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative information has been derived from the District's 2009 financial statements and, in our report dated November 5, 2009, we express an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of **June 30, 2010**, or the changes in its financial position for the year then ended.

Board of Education
Conway Springs Unified School District No. 356

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of **June 30, 2010**, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC
November 5, 2010

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CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SUMMARY OF CASH RECEIPTS, CASH EXPENDITURES,
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2010

<u>Fund</u>	Beginning Unencumbered <u>Cash Balance</u>	Prior Year Canceled <u>Encumbrances</u>	Cash <u>Receipts</u>
General Fund	\$ (469,611)	\$ -	\$ 4,097,209
Special Revenue Funds			
Supplemental General	(104,367)	-	1,084,318
Adult Supplemental Education	8,802	-	12,900
At-risk	-	-	265,996
Capital Outlay	389,853	-	301,896
Driver Training	19,045	-	7,300
Food Service	74,631	-	301,816
Special Education	160,000	-	681,637
Vocational Education	-	-	171,387
KPERS	-	-	113,735
Recreation Commission	51,732	-	86,819
REAP Federal Grant - SRSA	-	-	40,600
Grants	500	-	750
Drug Free Grants	-	-	1,606
Title I	-	-	82,131
Title II	-	-	18,886
Memorial/Gift	-	-	382
Contingency Reserve	440,484	-	-
Textbook Rental and Student Mat.	14,543	-	33,553
Band Special Fund	16,327	-	18,500
Carl Perkins	-	-	3,842
District Activity Funds	40,806	-	101,877
Debt Service Fund			
Bond and Interest Fund	745,305	-	871,433
	<u>\$ 1,388,050</u>	<u>\$ -</u>	<u>\$ 8,298,573</u>

Composition of Cash:

The notes to the financial statements are an integral part of this statement.

<u>Expenditures</u>	Ending Unencumbered <u>Cash Balance</u>	Add Outstanding Encumbrances and Accounts <u>Payable</u>	Ending <u>Cash Balance</u>
\$ 3,943,553	\$ (315,955)	\$ -	\$ (315,955)
1,065,000	(85,049)	-	(85,049)
14,421	7,281	-	7,281
265,996	-	-	-
48,533	643,216	-	643,216
5,425	20,920	-	20,920
301,158	75,289	-	75,289
597,096	244,541	-	244,541
171,387	-	-	-
226,401	(112,666)	-	(112,666)
133,000	5,551	-	5,551
40,600	-	-	-
1,250	-	-	-
1,606	-	-	-
82,131	-	-	-
18,886	-	-	-
82	300	-	300
-	440,484	-	440,484
19,171	28,925	-	28,925
9,618	25,209	-	25,209
3,842	-	-	-
99,299	43,384	-	43,384
873,262	743,476	-	743,476
<u>\$ 7,921,717</u>	<u>\$ 1,764,906</u>	<u>\$ -</u>	<u>\$ 1,764,906</u>
Checking and Money Market Accounts			\$ 1,779,544
Less: Agency Funds			14,638
			<u>\$ 1,764,906</u>

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CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>
General Fund	\$ 4,419,620	\$ (507,920)	\$ 32,800
Special Revenue Funds			
Supplemental General	1,065,000	-	-
Adult Supplemental Education	15,000	-	-
At-risk	296,947	-	-
Capital Outlay	403,000	-	3,255
Driver Training	9,733	-	-
Food Service	341,320	-	-
Special Education	843,553	-	-
Vocational Education	172,000	-	-
KPERS	271,047	-	-
Recreation Commission	133,000	-	-
REAP Federal Grant - SRSA	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Grants	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Drug Free Grants	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Title I	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Title II	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Memorial/Gift	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Contingency Reserve	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Textbook Rental and Student Mat.	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Band Special Fund	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Carl Perkins	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
District Activity Funds	XXXXXXXXXXXXX	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Debt Service Fund			
Bond and Interest Fund	873,262	-	-
	<u>\$ 8,843,482</u>	<u>\$ (507,920)</u>	<u>\$ 36,055</u>

The notes to the financial statements are an integral part of this statement.

Total Budget for <u>Comparison</u>	Expenditures Chargeable to <u>Current Year</u>	Variance - Over <u>(Under)</u>
\$ 3,944,500	\$ 3,943,553	\$ (947)
1,065,000	1,065,000	-
15,000	14,421	(579)
296,947	265,996	(30,951)
406,255	48,533	(357,722)
9,733	5,425	(4,308)
341,320	301,158	(40,162)
843,553	597,096	(246,457)
172,000	171,387	(613)
271,047	226,401	(44,646)
133,000	133,000	-
XXXXXXXXXXXXXX	40,600	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	1,250	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	1,606	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	82,131	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	18,886	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	82	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	-	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	19,171	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	9,618	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	3,842	XXXXXXXXXXXXXX
XXXXXXXXXXXXXX	99,299	XXXXXXXXXXXXXX
873,262	873,262	-
<u>\$ 8,371,617</u>	<u>\$ 7,921,717</u>	<u>\$ (726,385)</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>General Fund</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 355,085	\$ 361,854	\$ 317,160	\$ 44,694
State Sources	3,876,842	3,541,063	3,401,048	140,015
Federal Sources	-	800	-	800
Federal Sources - ARRA	-	193,492	193,492	-
	<u>4,231,927</u>	<u>4,097,209</u>	<u>3,911,700</u>	<u>185,509</u>
Expenditures				
Instruction	1,943,735	1,529,300	1,846,181	(316,881)
Instruction - ARRA	-	130,977	130,977	
Student Support Services	132,301	105,320	117,170	(11,850)
Student Suppt. Serv. - ARRA	-	16,535	16,535	
Instruction Support Staff	169,822	157,094	166,660	(9,566)
Instruct. Suppt. Staff - ARRA	-	8,288	8,288	
General Administration	95,596	77,255	80,172	(2,917)
General Admin. - ARRA	-	8,385	8,385	
School Administration	212,932	146,283	174,956	(28,673)
School Admin. - ARRA	-	21,282	21,282	
Central Services	101,989	119,437	111,226	8,211
Operations & Maintenance	399,561	397,211	447,262	(50,051)
Operations & Maint. - ARRA	-	8,025	8,025	
Student Transportation Serv.	219,574	130,294	279,522	(149,228)
Other Supplemental Serv.	13,812	13,378	13,378	-
Transfers	1,124,742	1,074,489	989,601	84,888
Adjustment to Comply with Legal Max	-	-	(507,920)	507,920
Adjustment for Qualifying Budget Credits	-	-	32,800	(32,800)
	<u>4,414,064</u>	<u>3,943,553</u>	<u>\$ 3,944,500</u>	<u>\$ (947)</u>
Receipts Over (Under)				
Expenditures	(182,137)	153,656		
Unencumbered Cash, Beginning	(287,474)	(469,611)		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ (469,611)</u>	<u>\$ (315,955)</u>		

See Note 12 (Cash Basis exception)

See Note 13 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

FOR THE YEAR ENDED JUNE 30, 2010

(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Supplemental General</u>		<u>Current Year</u>		Variance - Over Under
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 359,826	\$ 394,888	\$ 354,388	\$ 40,500
County Sources	38,491	44,006	45,123	(1,117)
State Sources	595,025	484,552	632,514	(147,962)
Federal Sources - ARRA	-	160,872	-	160,872
	<u>993,342</u>	<u>1,084,318</u>	<u>1,032,025</u>	<u>52,293</u>
Expenditures				
Instruction	94,150	36,386	118,440	(82,054)
Instruction - ARRA	-	122,504	-	122,504
Student Suppt. Serv. - ARRA	-	7,916	-	7,916
Instruct. Suppt. Staff - ARRA	-	8,410	-	8,410
General Administration	48,412	61,984	61,556	428
General Admin. - ARRA	-	694	-	694
School Administration	200,696	128,870	154,124	(25,254)
School Admin. - ARRA	-	21,348	-	21,348
Central Services	29,969	3,471	34,200	(30,729)
Operations & Maintenance	277,748	292,634	307,950	(15,316)
Transfers	414,025	380,783	388,730	(7,947)
Adjustment for Qualifying Budget Credits	-	-	-	-
	<u>1,065,000</u>	<u>1,065,000</u>	<u>\$ 1,065,000</u>	<u>\$ -</u>
Receipts Over (Under)				
Expenditures	(71,658)	19,318		
Unencumbered Cash, Beginning	(32,709)	(104,367)		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	\$ (104,367)	\$ (85,049)	See Note 12 (Cash Basis exception) See Note 13 (Statutory Presentation)	

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Adult Supplemental Education</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 11,595	\$ 12,900	\$ 15,000	\$ (2,100)
Expenditures				
Instruction	14,177	12,805	13,383	(578)
Instruction Support Staff	1,616	1,616	1,617	(1)
	<u>15,793</u>	<u>14,421</u>	<u>\$ 15,000</u>	<u>\$ (579)</u>
Receipts Over (Under)				
Expenditures	(4,198)	(1,521)		
Unencumbered Cash, Beginning	13,000	8,802		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 8,802</u>	<u>\$ 7,281</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>At-risk</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfers	\$ 240,240	\$ 265,996	\$ 296,947	\$ (30,951)
Expenditures				
Instruction	224,525	253,780	277,399	(23,619)
Student Support Services	15,715	12,216	19,548	(7,332)
	<u>240,240</u>	<u>265,996</u>	<u>\$ 296,947</u>	<u>\$ (30,951)</u>
Receipts Over (Under)				
Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Capital Outlay</u>	<u>Current Year</u>			Variance -
	Prior			Over
	Year			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 20,971	\$ 19,449	\$ 13,400	\$ 6,049
County Sources	-	-	-	-
Federal Sources (reimburse.)	3,211	3,255	-	3,255
Transfers	138,205	279,192	-	279,192
	<u>162,387</u>	<u>301,896</u>	<u>13,400</u>	<u>288,496</u>
Expenditures				
Instruction	28,217	-	90,000	(90,000)
Student Support Services	-	-	40,000	(40,000)
Operations and Maintenance	-	-	50,000	(50,000)
Transportation	-	19,995	123,000	(103,005)
Facilities Acquisition & Const.	235,718	28,538	100,000	(71,462)
Adjustment for Qualifying				
Budget Credits	-	-	3,255	(3,255)
	<u>263,935</u>	<u>48,533</u>	<u>\$ 406,255</u>	<u>\$ (357,722)</u>
Receipts Over (Under)				
Expenditures	(101,548)	253,363		
Unencumbered Cash,				
Beginning	491,401	389,853		
Prior Year Canceled				
Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash,				
Ending	<u>\$ 389,853</u>	<u>\$ 643,216</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Driver Training</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 4,740	\$ 6,300	\$ 7,584	\$ (1,284)
State Sources	1,520	1,000	2,400	(1,400)
Transfers	-	-	-	-
	<u>6,260</u>	<u>7,300</u>	<u>9,984</u>	<u>(2,684)</u>
Expenditures				
Instruction	6,352	4,666	7,733	(3,067)
Vehicle Operation & Maint.	1,370	759	2,000	(1,241)
	<u>7,722</u>	<u>5,425</u>	<u>\$ 9,733</u>	<u>\$ (4,308)</u>
Receipts Over (Under)				
Expenditures	(1,462)	1,875		
Unencumbered Cash, Beginning	20,507	19,045		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 19,045</u>	<u>\$ 20,920</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Food Service</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 154,919	\$ 142,413	\$ 224,716	\$ (82,303)
State Sources	3,213	2,877	3,288	(411)
Federal Sources	88,634	99,467	114,686	(15,219)
Transfers	76,420	57,059	70,000	(12,941)
	<u>323,186</u>	<u>301,816</u>	<u>412,690</u>	<u>(110,874)</u>
Expenditures				
Operations and Maintenance	7,461	4,211	12,000	(7,789)
Food Service Operation	291,099	296,947	329,320	(32,373)
	<u>298,560</u>	<u>301,158</u>	<u>\$ 341,320</u>	<u>\$ (40,162)</u>
Receipts Over (Under)				
Expenditures	24,626	658		
Unencumbered Cash, Beginning	50,005	74,631		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 74,631</u>	<u>\$ 75,289</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Special Education</u>	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Transfers	726,536	681,637	839,384	(157,747)
	<u>726,536</u>	<u>681,637</u>	<u>839,384</u>	<u>(157,747)</u>
Expenditures				
Instruction	611,324	525,446	550,000	(24,554)
Student Support Services	9,363	9,863	12,789	(2,926)
Student Transportation Services	65,849	61,787	280,764	(218,977)
	<u>686,536</u>	<u>597,096</u>	<u>\$ 843,553</u>	<u>\$ (246,457)</u>
Receipts Over (Under)				
Expenditures	40,000	84,541		
Unencumbered Cash, Beginning	120,000	160,000		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 160,000</u>	<u>\$ 244,541</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Vocational Education</u>	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts				
Local Sources	\$ -	\$ -	\$ -	\$ -
Transfers	177,878	171,387	172,000	(613)
	<u>177,878</u>	<u>171,387</u>	<u>172,000</u>	<u>(613)</u>
Expenditures				
Instruction	177,878	171,387	172,000	(613)
Instruction Support Staff	-	-	-	-
Adjustment for Qualifying				
Budget Credits	-	-	-	-
	<u>177,878</u>	<u>171,387</u>	<u>\$ 172,000</u>	<u>\$ (613)</u>
Receipts Over (Under)				
Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>KPERS</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State Sources	\$ 229,701	\$ 113,735	\$ 271,047	\$ (157,312)
	<u>229,701</u>	<u>113,735</u>	<u>271,047</u>	<u>(157,312)</u>
Expenditures				
Instruction	142,415	144,897	173,470	(28,573)
Student Support Services	9,188	6,792	8,131	(1,339)
Instruction Support Staff	11,485	11,320	13,552	(2,232)
General Administration	6,891	6,792	8,131	(1,339)
School Administration	25,267	24,904	29,815	(4,911)
Central Services	4,594	4,528	5,421	(893)
Operations & Maintenance	13,782	11,320	13,554	(2,234)
Student Transportation Services	9,188	9,056	10,842	(1,786)
Food Service	6,891	6,792	8,131	(1,339)
	<u>229,701</u>	<u>226,401</u>	<u>\$ 271,047</u>	<u>\$ (44,646)</u>
Receipts Over (Under)				
Expenditures	-	(112,666)		
Unencumbered Cash, Beginning	-	-		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (112,666)</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Recreation Commission</u>	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance - Over Under <u>(Under)</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 78,952	\$ 76,298	\$ 75,182	\$ 1,116
County Sources	9,615	\$ 10,521	\$ 16,006	(5,485)
State Sources	229	-	-	-
	<u>88,796</u>	<u>86,819</u>	<u>91,188</u>	<u>(4,369)</u>
Expenditures				
Community Service Operations	<u>82,000</u>	<u>133,000</u>	<u>133,000</u>	<u>-</u>
	<u>82,000</u>	<u>133,000</u>	<u>\$ 133,000</u>	<u>\$ -</u>
Receipts Over (Under)				
Expenditures	6,796	(46,181)		
Unencumbered Cash, Beginning	44,936	51,732		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 51,732</u>	<u>\$ 5,551</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Bond and Interest</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 430,739	\$ 400,352	\$ 407,022	\$ (6,670)
County Sources	62,110	60,648	91,743	(31,095)
State Sources	418,559	410,433	671,806	(261,373)
	<u>911,408</u>	<u>871,433</u>	<u>1,170,571</u>	<u>(299,138)</u>
Expenditures				
Debt Service	865,487	873,262	873,262	-
	<u>865,487</u>	<u>873,262</u>	<u>\$ 873,262</u>	<u>\$ -</u>
Receipts Over (Under)				
Expenditures	45,921	(1,829)		
Unencumbered Cash, Beginning	699,384	745,305		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 745,305</u>	<u>\$ 743,476</u>		

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

REAP Federal Grant - SRSA

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 41,080	\$ 40,600
	<u>41,080</u>	<u>40,600</u>
Expenditures		
Instruction	41,080	40,600
Instruction Support Staff	-	-
	<u>41,080</u>	<u>40,600</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Grants</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 500	\$ -
State Sources	-	-
Federal Sources	4,886	750
	<u>5,386</u>	<u>750</u>
Expenditures		
Instruction	18,776	500
Student Support Services	-	750
	<u>18,776</u>	<u>1,250</u>
Receipts Over (Under)		
Expenditures	(13,390)	(500)
Unencumbered Cash, Beginning	13,890	500
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 500</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Drug Free Grants</u>		
	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 1,659	\$ 1,606
	<u>1,659</u>	<u>1,606</u>
Expenditures		
Instruction	1,659	1,606
	<u>1,659</u>	<u>1,606</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Title I</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 54,591	\$ 63,738
Federal Sources - ARRA	\$ -	\$ 18,393
	<u>54,591</u>	<u>82,131</u>
Expenditures		
Instruction	48,985	58,183
Instruction - ARRA	-	18,393
General Administration	3,652	3,564
Student Transportation Services	1,954	1,991
	<u>54,591</u>	<u>82,131</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning		-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

Title II

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 17,741	\$ 17,579
Federal Sources - ARRA	\$ -	\$ 1,307
	<u>17,741</u>	<u>18,886</u>
Expenditures		
Instruction	17,741	17,579
Instruction - ARRA	-	1,307
	<u>17,741</u>	<u>18,886</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash,		
Beginning	-	-
Prior Year Canceled		
Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash,		
Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Memorial/Gift</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 96	\$ 382
	<u>96</u>	<u>382</u>
Expenditures		
Instruction	1,255	-
Instruction Support Staff	96	82
	<u>1,351</u>	<u>82</u>
Receipts Over (Under)		
Expenditures	(1,255)	300
Unencumbered Cash, Beginning	1,255	-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 300</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	<u>Contingency Reserve</u>	
	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfers	\$ 179,488	\$ -
	<u>179,488</u>	<u>-</u>
Expenditures		
Operations and Maintenance	-	-
	<u>-</u>	<u>-</u>
Receipts Over (Under)		
Expenditures	179,488	-
Unencumbered Cash, Beginning	260,996	440,484
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 440,484</u>	<u>\$ 440,484</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

Textbook Rental and Student Mat.

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 33,901	\$ 33,553
	<u>33,901</u>	<u>33,553</u>
Expenditures		
Instruction	45,000	19,171
	<u>45,000</u>	<u>19,171</u>
Receipts Over (Under)		
Expenditures	(11,099)	14,382
Unencumbered Cash, Beginning	25,642	14,543
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 14,543</u>	<u>\$ 28,925</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Band Special Fund</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 20,424	\$ 18,500
	<u>20,424</u>	<u>18,500</u>
Expenditures		
Instruction	10,599	9,618
	<u>10,599</u>	<u>9,618</u>
Receipts Over (Under)		
Expenditures	9,825	8,882
Unencumbered Cash, Beginning	6,502	16,327
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 16,327</u>	<u>\$ 25,209</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

Carl Perkins

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 4,070	\$ 3,842
	<u>4,070</u>	<u>3,842</u>
Expenditures		
Instruction	4,070	3,842
Instruction Support Staff	-	-
	<u>4,070</u>	<u>3,842</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash,		
Beginning	-	-
Prior Year Canceled		
Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash,		
Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ORGANIZATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Fund</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
High School				
Class of 2010	\$ 1,622	\$ 12,737	\$ 14,359	\$ -
Class of 2011	782	9,736	8,667	1,851
Class of 2012	235	225	-	460
Class of 2013	-	35	-	35
Cheerleaders	323	6,979	4,853	2,449
PomPon Squad	703	6,195	4,659	2,239
Red Link	653	-	-	653
Scholar Bowl	216	626	767	75
National Honor Society	1,662	2,836	3,326	1,172
Cardinal Council	343	-	50	293
Advanced Biology	171	165	237	99
Cardinalaires	654	3,686	3,710	630
FCCLA	669	532	697	504
STUCO	2,157	13,715	13,693	2,179
	<u>10,190</u>	<u>57,467</u>	<u>55,018</u>	<u>12,639</u>
Middle School				
Cheerleaders	141	870	959	52
Scholar Bowl	232	165	63	334
STUCO	2,101	5,571	6,059	1,613
	<u>2,474</u>	<u>6,606</u>	<u>7,081</u>	<u>1,999</u>
	<u>\$ 12,664</u>	<u>\$ 64,073</u>	<u>\$ 62,099</u>	<u>\$ 14,638</u>

The notes to the financial statements are an integral part of this statement.

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CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
DISTRICT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2010

<u>Fund</u>	Beginning Unencumbered <u>Cash Balance</u>	Prior Year Canceled <u>Encumbrances</u>	Cash <u>Receipts</u>
High School			
Athletics	\$ 18,669	\$ -	\$ 59,748
Concessions	3,119	-	13,581
Student Productions	1,304	-	-
Band Activity	517	-	1,775
School Beautification	17	-	58
Take Charge of Education	34	-	-
Memorials	3,295	-	810
Piano Festival	-	-	512
	<u>26,955</u>	<u>-</u>	<u>76,484</u>
Middle School			
Athletics	6,061	-	9,084
Band Dept.	286	-	579
Music Dept.	578	-	262
School Benefit	1,412	-	-
Science Olympiad	266	-	-
Landscaping	131	-	-
	<u>8,734</u>	<u>-</u>	<u>9,925</u>
Elementary School			
Textbook	395	-	-
School Benefit	355	-	3,349
PTO	4,186	-	11,899
Flower	181	-	220
	<u>5,117</u>	<u>-</u>	<u>15,468</u>
	<u>\$ 40,806</u>	<u>\$ -</u>	<u>\$ 101,877</u>

The notes to the financial statements are an integral part of this statement.

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 58,152	\$ 20,265	\$ -	\$ 20,265
13,545	3,155	-	3,155
-	1,304	-	1,304
1,368	924	-	924
75	-	-	-
-	34	-	34
2,805	1,300	-	1,300
400	112	-	112
<u>76,345</u>	<u>27,094</u>	<u>-</u>	<u>27,094</u>
9,331	5,814	-	5,814
591	274	-	274
242	598	-	598
-	1,412	-	1,412
-	266	-	266
-	131	-	131
<u>10,164</u>	<u>8,495</u>	<u>-</u>	<u>8,495</u>
395	-	-	-
3,426	278	-	278
8,859	7,226	-	7,226
110	291	-	291
<u>12,790</u>	<u>7,795</u>	<u>-</u>	<u>7,795</u>
<u>\$ 99,299</u>	<u>\$ 43,384</u>	<u>\$ -</u>	<u>\$ 43,384</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Conway Springs Unified School District No. 356 is a municipal corporation established under State of Kansas statutes designed to meet educational requirements at the primary and secondary levels in and around Conway Springs, Kansas. The District is governed by an elected seven-member Board of Education. Except for the Conway Springs Recreation Commission, the District's financial statements include all funds over which the Board of Education exercises oversight responsibility. Oversight responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters. The Conway Springs Recreation Commission, a separate municipality, is considered a component unit because the board is appointed by the District. Conway Springs Recreation Commission reports separately and has not been included as part of the District's financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for a specified purpose.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, interest and principal of general long-term debt.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities. Currently, there are no capital projects.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures, as reported, do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds and the following special revenue funds:

REAP Federal Grant - SRSA	Memorial /Gift
Grants	Contingency Reserve
Drug Free Grants	Textbook Rental and Student Mat.
Title I	Band Special Fund
Title II	Carl Perkins
District Activity Funds	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Note 2 - Deposits and Investments:

As of June 30, 2010, the District held no investments. All district funds were held in checking accounts and a money market account at two local banks.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Deposits and Investments: (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$1,779,544 and the bank balance was \$2,572,445. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$316,567 was covered by federal depository insurance, \$2,255,878 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

As of June 30, 2010 the District held no investments.

Note 3 - Long-Term Debt:

On May 1, 2001 the District issued general obligation bonds for refunding purposes in the amount of \$4,315,000. The issuance had been invested with a third party escrow agent and was used to retire the 1995 bond issue. On December 15, 2001 the District issued general obligation bonds for capital projects in the amount of \$4,350,000.

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CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Note 3 - Long-Term Debt: (Continued)

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General Obligation Bonds 2001 Series	3.50 - 4.90	5/1/01	\$ 4,315,000	9/1/15
General Obligation Bonds 2001B Series	4.75 - 7.50	12/15/01	\$ 4,350,000	3/1/22

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

<u>Issue</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal				
General obligation bonds	\$ 590,000	\$ 635,000	\$ 670,000	\$ 725,000
Interest				
General obligation bonds	<u>283,410</u>	<u>251,525</u>	<u>222,090</u>	<u>189,898</u>
Total Principal and Interest	<u>\$ 873,410</u>	<u>\$ 886,525</u>	<u>\$ 892,090</u>	<u>\$ 914,898</u>

<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
3,015,000	-	390,000	2,625,000	129,413
3,670,000	-	170,000	3,500,000	183,850
<u>\$ 6,685,000</u>	<u>\$ -</u>	<u>\$ 560,000</u>	<u>\$ 6,125,000</u>	<u>\$ 313,263</u>

<u>2015</u>	<u>2016-2020</u>	<u>2021-2022</u>	<u>Total</u>
\$ 775,000	\$ 1,910,000	\$ 820,000	\$ 6,125,000
154,740	441,393	59,137	1,602,193
<u>\$ 929,740</u>	<u>\$ 2,351,393</u>	<u>\$ 879,137</u>	<u>\$ 7,727,193</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 - Compensated Absences:

All permanent full-time employees are eligible for general leave benefits that can be used for vacation, sick, or personal days. These benefits are given annually and can accumulate based on the District's policies.

It is the policy of the District to record general leave benefits as expenditures when paid.

Note 5 - Interfund Transfers:

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At-risk	K.S.A. 72-6428	\$265,996
General Fund	Capital Outlay	K.S.A. 72-6428	279,192
General Fund	Food Service	K.S.A. 72-6428	57,059
General Fund	Special Education	K.S.A. 72-6428	414,066
Supplemental General	Special Education	K.S.A. 72-6433	267,571
General Fund	Vocational Education	K.S.A. 72-6428	58,175
Supplemental General	Vocational Education	K.S.A. 72-6433	<u>113,212</u>
			<u>\$ 1,455,271</u>

Note 6 - Prior Year Balances:

Certain prior year balances are presented for comparison purposes.

Note 7 - Defined Benefit Pension Plan:

Plan Description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603), calling 1-888-275-5737, or by going to their website at www.kpers.org.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - Defined Benefit Pension Plan: (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 8.57% of covered payroll between July 1, 2009 and June 30, 2010. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for District employees for the years ending June 30, 2010, 2009 and 2008 were \$226,401, \$229,701 and \$216,821, respectively, equal to the required contributions for each year.

Note 8 - Other Post Employment Benefits:

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Note 9 - Termination Benefits:

The District had an early retirement program available prior to July 1, 2005. Under the program, a full-time employee must have been less than 64 years of age with ten or more years with the District and eligible for retirement under KPERS to elect retirement under the program. Benefits included monthly payments of an amount equal to a percentage of the employee's final basis contract annual salary and continued until age 65. The fiscal year ending June 30, 2005 was the last year additional employees could receive these benefits. The district continues to have expenditures for existing retired employees already receiving benefits.

It is the policy of the District to record these benefits as expenditures when paid. Payments under the program for the years ending June 30, 2010 and 2009 were \$10,467 and \$21,625, respectively.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 - Contingencies

Grant Programs

This District participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Note 11 - Subsequent Events

Management has evaluated the effects on the financial statements of subsequent events occurring through November 5, 2010, which is the date at which the financial statements were available to be issued.

Note 12 - Compliance with Kansas Statutes :

Cash Basis Exception

The General Fund and Supplemental General Fund of the District have negative unencumbered cash balances of \$315,955 and \$85,049, respectively, as of June 30, 2010. K.S.A. 10-1116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, is exempt from the cash basis law of the State of Kansas. This fund met the criteria under the statutes, and therefore, is deemed not to be in violation of the Kansas cash basis law.

KPERS Fund

In violation of K.S.A. 10-1113 and 10-1121, indebtedness in excess of cash balance was created at year end in the KPERS Fund due to the State of Kansas making a late payment for June 2010 in July 2010.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13 - Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

(Statutory Presentation):

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30 as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010
General Fund

	<u>Statutory</u> <u>Transactions</u>	<u>Budget</u>	Variance - Over (Under)
Statutory Revenues			
Local Sources	\$ 361,854	\$ 317,160	\$ 44,694
State Sources	3,387,407	3,401,048	(13,641)
Federal Sources	800	-	800
Federal Sources - ARRA	193,492	193,492	-
	<u>3,943,553</u>	<u>3,911,700</u>	<u>31,853</u>
Expenditures			
Instruction	1,529,300	1,846,181	(316,881)
Instruction - ARRA	130,977	130,977	-
Student Support Services	105,320	117,170	(11,850)
Student Suppt. Serv. - ARRA	16,535	16,535	-
Instruction Support Staff	157,094	166,660	(9,566)
Instruct. Suppt. Staff - ARRA	8,288	8,288	-
General Administration	77,255	80,172	(2,917)
General Admin. - ARRA	8,385	8,385	-
School Administration	146,283	174,956	(28,673)
School Admin. - ARRA	21,282	21,282	-
Central Services	119,437	111,226	8,211
Operations & Maintenance	397,211	447,262	(50,051)
Operations & Maint. - ARRA	8,025	8,025	-
Student Transportation Serv.	130,294	279,522	(149,228)
Other Supplemental Serv.	13,378	13,378	-
Transfers	1,074,489	989,601	84,888
Adjustment to Comply with Legal Max	-	(507,920)	507,920
Adjustment for Qualifying Budget Credits	-	32,800	(32,800)
	<u>3,943,553</u>	<u>\$ 3,944,500</u>	<u>\$ (947)</u>
Statutory Revenues Over (Under) Expenditures	-		
Modified Unencumbered Cash, July 1, 2009	-		
Prior Year Canceled Encumbrances	-		
Modified Unencumbered Cash, June 30, 2010	<u>\$ -</u>		

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13 - Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (Continued)

Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010
Supplemental General

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance - Over (Under)
Statutory Revenues			
Local Sources	\$ 394,888	\$ 354,388	\$ 40,500
County Sources	44,006	45,123	(1,117)
State Sources	473,488	632,514	(159,026)
Federal Sources - ARRA	160,872	-	160,872
	<u>1,073,254</u>	<u>1,032,025</u>	<u>41,229</u>
Expenditures			
Instruction	36,386	118,440	(82,054)
Instruction - ARRA	122,504	-	122,504
Student Suppt. Services - ARRA	7,916	-	7,916
Instruction Suppt. Staff - ARRA	8,410	-	8,410
General Administration	61,984	61,556	428
General Admin. - ARRA	694	-	694
School Administration	128,870	154,124	(25,254)
School Admin. - ARRA	21,348	-	21,348
Central Services	3,471	34,200	(30,729)
Operations & Maintenance	292,634	307,950	(15,316)
Transfers	380,783	388,730	(7,947)
Adjustment for Qualifying Budget Credits	-	-	-
	<u>\$ 1,065,000</u>	<u>\$ 1,065,000</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	8,254		
Modified Unencumbered Cash, July 1, 2009	32,976		
Prior Year Canceled Encumbrances	-		
Modified Unencumbered Cash, June 30, 2010	<u>\$ 41,230</u>		

SINGLE AUDIT SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**Board of Education
Conway Springs Unified School District No. 356
Conway Springs, Kansas**

We have audited the financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas** as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

The auditor's report on the financial statements disclosed that, as described in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas** prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Board of Education**Conway Springs Unified School District No. 356**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting and are listed as reference numbers 1 and 2. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 5, 2010.

Board of Education

Conway Springs Unified School District No. 356

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC

November 5, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Education
Conway Springs Unified School District No. 356
Conway Springs, Kansas**

Compliance

We have audited the compliance of **Conway Springs Unified School District No. 356, Conway Springs, Kansas** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements. In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Board of Education
Conway Springs Unified School District No. 356

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Education

Conway Springs Unified School District No. 356

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC

November 5, 2010

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CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Grant Title</u> <u>Direct</u>	<u>Federal</u> <u>CFDA</u> <u>No.</u>	<u>Program</u> <u>Amount</u>
Department of Education		
Rural Education Achievement Program (REAP) - SRSA	84.358	\$ 40,600
(Passes Through Kansas Department of Education - <u>Pass-Through Grantor's Number DO356</u>)		
U.S. Department of Agriculture		
School Breakfast Program	10.553	12,385
National School Lunch Program	10.555	87,082
		<u>99,467</u>
U.S. Department of Education		
ARRA - State Fiscal Stabilization Fund - Education State Grants		
Recovery Act	84.394	354,364
Title I - Low Income	84.010	63,738
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	18,393
Title II-A - Improving Teacher Quality	84.367	17,048
Safe & Drug-Free Schools & Communities - State Grants	84.186	1,606
Title II - Tech Literacy	84.318	531
ARRA - Title II-D - Education Technology State Grants, Recovery Act	84.386	1,307
Title II - Statewide Data Systems - Data Use Grant	84.372	800
		<u>457,787</u>
U.S. Department of Homeland Security		
Emergency Management Performance Grant - School Preparedness	97.042	750
(Passes Through South Central Kansas Education <u>Service Center</u>)		
U.S. Department of Education		
Carl Perkins	84.048	3,842
		<u>\$ 602,446</u>

Note 1 - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 356, Conway Springs, Kansas, and is presented using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule.

See accompanying Independent Auditor's Report.

Unencumbered Cash <u>7-1-09</u>	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash <u>6-30-10</u>
\$ -	\$ 40,600	\$ 40,600	\$ -
-	12,385	12,385	-
-	87,082	87,082	-
-	99,467	99,467	-
-	354,364	354,364	-
-	63,738	63,738	-
-	18,393	18,393	-
-	17,048	17,048	-
-	1,606	1,606	-
-	531	531	-
-	1,307	1,307	-
-	800	800	-
-	457,787	457,787	-
-	750	750	-
-	3,842	3,842	-
\$ -	\$ 602,446	\$ 602,446	\$ -

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report on the financial statements disclosed that, as described in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas** prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **Conway Springs Unified School District No. 356, Conway Springs, Kansas** expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

See accompanying Independent Auditor's Report.

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS (Continued)

7. The program tested as a major program was as follows:

	<u>CFDA No.</u>
ARRA - State Fiscal Stabilization Fund -	
Education State Grants, Recovery Act	84.394

8. The threshold for distinguishing between Type A and B programs was \$300,000.

9. **Conway Springs Unified School District No. 356, Conway Springs, Kansas** did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

Number 1: Lack of Segregation of Duties

Condition: Appropriate segregation of duties is achieved when one or more employees or functions acts as a check and balance on the activities of another so that no employee should be in a position to both commit an irregularity and conceal it. Due to resource constraints, these conflicting phases of transactions potentially occur throughout your entity at various times throughout the fiscal year. We considered this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

See accompanying Independent Auditor's Report.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Number 1: Lack of Segregation of Duties (continued)

Criteria: The segregation of incompatible duties means that no employee should be in a position to both commit an irregularity and conceal it. An Elected Official's Guide to Internal Controls and Fraud Prevention states that "ideally, no single individual should be able to:

- a) *authorize* a transaction;
- b) *record* the transaction in the books of account; and
- c) ensure custody of the asset resulting from the transaction."

In a smaller entity setting, it is very difficult to maintain ideal segregation of duties. We consider this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

Effect: Lack of segregation of duties aids in the possibility that errors and irregularities, whether caused by fraud or human error, will not be detected.

Cause: Due to the limited staff in the District, segregation of duties has not been possible as required in an ideal internal control structure. At this time, we feel it would be cost prohibitive to increase staff in the District offices sufficiently to rectify this situation. Current office staff and the Board should, however, continually review the opportunity to implement segregation of duties that will enhance the internal control structure at a minimal cost to the District.

Recommendation: We recommend that the office staff continually review their procedures for opportunities to increase the segregation of duties in the office as well as the overall internal controls and oversight over the accounting functions in the office. We recommend the Board be aware of the importance of segregating the office duties in order to maintain a good internal control structure that will aid in the prevention and detection of errors and irregularities whether caused by fraud or human error.

Within the constraints of available resources, management should attempt to logically segregate duties among people or processes to mitigate risks and meet their financial reporting objectives.

See accompanying Independent Auditor's Report.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Number 2: Financial Statement Reporting

Condition: Our firm has been asked to prepare the financial statements for the District; however, our firm cannot be considered part of the internal control structure of the District in regard to the preparation of the financial statements.

Criteria: The District prepares its financial statements in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit Guide* (KMAG).

Effect: We consider this condition related to external financial statement and other supplemental information preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause: District personnel do have the skill and knowledge to process all the basic financial transactions and the ability to issue the internal financial statements needed to provide appropriate budget and operating information to the District governing body on an as needed basis. However, the District either has no documented policy or procedures related to the preparation of the external financial statements and other supplemental information and/or the policies and procedures are not implemented and adequately followed to ensure the accuracy and completeness of the external financial statements and other supplemental information.

Recommendation: To strengthen internal control over financial statement preparation, we recommend:

- a) Obtain a current copy of the Kansas Municipal Audit Guide (KMAG);
- b) Obtain a report check list for KMAG financial statements;
- c) Participate in a training session on financial statement preparation and review; and
- d) Adopt a policy that annual financial statements will be reviewed prior to being subjected to audit.

See accompanying Independent Auditor's Report.

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

DEPARTMENT OF EDUCATION

ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act -
CFDA Number 84.394

NONE

See accompanying Independent Auditor's Report.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

NONE

(No Single Audit Required in Prior Year)

See accompanying Independent Auditor's Report.